



OFFICE OF THE COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

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LOUISIANA  
Directive No. 173  
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LSA-R.S. 22:2  
LSA-R.S. 22:620-621  
LSA-R.S. 22:629  
LSA-R.S. 22:653

**NOTICE TO ALL INSURERS AND RATE SERVICE  
ORGANIZATIONS LICENSED OR DOING BUSINESS IN LOUISIANA**

**RE: Policy Forms – Binding Arbitration and/or Appraisal Provisions**

Please take note that pursuant to LSA-R.S. 22:629A(2) arbitration and appraisal provisions that attempt to deprive a court of jurisdiction are not permitted in insurance policies delivered or issued for delivery in Louisiana.<sup>1</sup> As used herein, the term policy(s) has the same meaning as ascribed in LSA-R.S. 22:620A(2), and includes any certificate of coverage or any other evidence of coverage, or a subscriber agreement. Thus the restriction on the use of binding arbitration provisions also applies to any group insurance policy(s) regardless of where it is made or delivered if it covers a resident of this state.

For authorized insurers, the inclusion of such language in a filing will result in the disapproval of the filing. Further, if in accordance with Regulation 78 an insurer certifies compliance and it is later discovered that the form contains a prohibited binding arbitration or a binding appraisal provision, the insurer will be subject to sanctions including but not limited to the imposition of such fines as are authorized by law. The Commissioner will consider for approval provisions that clearly convey to the policyholder that the arbitration process is **not** binding, does not deprive the courts of jurisdiction and is invoked at the request of the insured. The language used should clearly convey that the insured does not forfeit any right to seek judicial resolution of the dispute.

An appraisal provision that states that the appraisal process is “binding” or “final” or uses or similar language is not lawful in Louisiana. As with arbitration provisions, such terminology in an appraisal provision has the effect of removing the matter from the judicial branch contrary to §629. Further, such language is misleading. Pursuant to LSA-R.S. 22:621 policies with misleading language shall not be approved by the commissioner.

Further, please take note that pursuant to LSA-R.S. 22:653 policies, riders or endorsements issued by an insurer, authorized or unauthorized, that contain provisions that are not in compliance with the

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<sup>1</sup> Indeed, other states have similar laws. See Administrative Letter 1998-12 issued by the Virginia Bureau of Insurance.

Insurance Code are to be construed and applied as if they were in full compliance therewith. Failure to do so will result in the imposition of such administrative sanctions as are warranted under the circumstances and authorized by law.

Authorized insurers should review their policy forms that are on file with the LDI to determine if any forms contain arbitration provisions or appraisal conditions which may be construed as binding. Such forms should be revised and re-filed with the LDI in accordance with Regulation 78 §§ 10107.H, 10109.H and 10113.H.

A handwritten signature in black ink, consisting of a series of loops and a long, sweeping horizontal stroke extending to the right.

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J. ROBERT WOOLEY  
ACTING COMMISSIONER OF INSURANCE